BUDGET IMPLEMENTATION AND MONITORING POLICY

2017/2018 FINANCIAL YEAR

TABLE OF CONTENTS

TABLE OF CONTENTS....1
ABBREVIATIONS....2
1. PURPOSE OF THIS DOCUMENT....3
2. DEFINITIONS....4
3. BUDGETING PRINCIPLES....11
4. BUDGETING PROCESS....12
5. CONTENTS OF THE BUDGET....15
6. OPERATING BUDGET....18
7. CAPITAL BUDGET....19
8. FUNDING OF THE BUDGET....20
9. VIREMENTS....24
10. ADJUSTMENT BUDGET....27
11. BUDGET IMPLEMENTATION....30
12. APPROVAL AND EFFECTIVE DATE....32
13. POLICY AMENDMENT....33
14. RELATIONSHIP WITH OTHER POLICIES....34
15. POLICY IMPLEMENTATION....34
ANNEXURE A: BUDGET PROCESS TIMETABLE....35

ABBREVIATIONS

MLM	MIDVAAL LOCAL MUNICIPALITY
AO	Accounting Officer
ASB	Accounting Standards Board
CFO	Chief Financial Officer
HOD	Head of Department (Senior Manager)
IDP	Integrated Development Plan
MBRR	Municipal Budget and Reporting Regulations, 2008
MFMA	Municipal Finance Management Act
MTREF	Medium Term Revenue and Expenditure Framework
SCM	Supply Chain Management
VAT	Value Added Tax

1. PURPOSE OF THIS DOCUMENT

1.1 The objective of the budget policy is to set out:

(a) The principles which the municipality will follow in preparing each medium term revenue and expenditure framework budget (MTREF);

(b) The responsibilities of the mayor, the accounting officer, the chief financial officer and other senior managers in compiling the budget;

(c) To control and inform the basis, format and information included in the Budget documentation; and

(d) To establish and maintain procedures to ensure adherence to the Municipality's IDP review and budget processes.

2. DEFINITIONS

In this Budget Implementation Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003), has the meaning so assigned, and:

"Accounting Officer"- means the Municipal Manager;

“Allocation", means-

- a municipality's share of the local government's equitable share referred to in section 214(l)(a) of the Constitution;
- an allocation of money to a municipality in terms of section 214(1) (c) of the Constitution;
- an allocation of money to a municipality in terms of a provincial budget; or
- any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction;

"Annual Division of Revenue Act" means the Act of Parliament, which must be enacted annually in terms of section 214 (1) of the Constitution;

"Approved budget,” means an annual budget-

- approved by a municipal council, or
- includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

“Basic Municipal Service" means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment;

- "Budget-related Policy" means a policy of a municipality affecting or affected by the annual budget of the municipality, including-
- the tariffs policy, which the municipality must adopt in terms of section 74 of the Municipal Systems Act;

- the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
- the credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

"Budget transfer" means transfer of funding within a function / vote.

"Budget Year" means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

“chief financial officer” means a person designated in terms of section 80(2) (a) of the MFMA;

“councillor” means a member of a municipal council;

"creditor", means a person to whom money is owed by the municipality;

"current year" means the financial year, which has already commenced, but not yet ended;

"delegation", in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

"financial recovery plan" means a plan prepared in terms of section 141 of the MFMA;

"financial statements", means statements consisting of at least-

- a statement of financial position;
- a statement of financial performance;
- a cash-flow statement;
- any other statements that may be prescribed; and
- any notes to these statements;

"financial year" means a twelve months period commencing on 1 July and ending on 30 June each year;

"financing agreement" includes any loan agreement, lease, and instalment purchase contract or hire purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time;

"fruitless and wasteful expenditure" means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

"irregular expenditure", means-

- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of section 170 of the MFMA;
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

"investment", in relation to funds of a municipality, means-

- the placing on deposit of funds of a municipality with a financial institution; or
- the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"lender", means a person who provides debt finance to a municipality;

"**local community**" has the meaning assigned to it in section 1 of the Municipal Systems Act;

“long-term debt" means debt repayable over a period exceeding one year;

"Municipal Structures Act" means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

"Municipal Systems Act" means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);

"mayor" means the councillor elected as the mayor of the municipality in terms of section 55 of the Municipal Structures Act;

"municipal council" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"municipal debt instrument" means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including dematerialised or electronic evidence of indebtedness intended to be used in trade;

"municipality"-

- when referred to as a corporate body, means a municipality as described in section 2 of the Municipal Systems Act; or
- when referred to as a geographic area, means a municipal area determined in terms of the Local Government: Municipal Demarcation Act, 1998 (Act No. 27 of 1998);

"accounting officer" means a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act;

"municipal service" has the meaning assigned to it in section 1 of the Municipal Systems Act (refer to the MSA for definition);

"municipal tariff" means a tariff for services which a municipality may set for the provision of a service to the local community, and includes a surcharge on such tariff;

"municipal tax" means property rates or other taxes, levies or duties that a municipality may impose;

"National Treasury" means the National Treasury established by section 5 of the Public Finance Management Act;

"official", means-

- an employee of a municipality;
- a person seconded to a municipality to work as a member of the staff of the municipality or
- a person contracted by a municipality to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"overspending"-

- means causing the operational or capital expenditure incurred by the municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or
- in relation to expenditure under section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"past financial year" means the financial year preceding the current year;

"quarter" means any of the following periods in a financial year:

- 1 July to 30 September;
- 1 October to 31 December;
- 1 January to 31 March; or
- 1 April to 30 June;

"service delivery and budget implementation plan" means a detailed plan approved by the mayor of a municipality in terms of section 53(l)(c)(ii) of the MFMA for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate-

- projections for each month of-

- revenue to be collected, by source; and
- operational and capital expenditure, by vote;
- service delivery targets and performance indicators for each quarter; and
- capital budget broken down per ward
- any other matters that may be prescribed, and includes any revisions of such plan by the mayor in terms of section 54(l) of the MFMA.

"short-term debt" means debt repayable over a period not exceeding one year;

"standards of generally recognised accounting practice," means an accounting practice complying with standards applicable to municipalities or municipal entities as determined by the Accounting Standards Board;

"unauthorised expenditure", means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes-

- overspending of the total amount appropriated in the municipality's approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (ii), (iii) or (iv) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the MFMA

"virement" means transfer of funds between functions / votes.

"vote" means-

- one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

In this document unless the context otherwise indicates, words and expressions denoting the singular shall include the plural and vice versa, words and expressions denoting the male sex shall include the female sex and vice versa and reference to a natural person shall include a legal person and vice versa.

3. BUDGETING PRINCIPLES

The municipality shall not budget for a deficit and should also ensure that revenue projections in the budget are realistic taking into account actual collection levels.

Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.

Municipality shall prepare a multi-year budget (three year) – medium term revenue and expenditure framework (MTREF)) and that be reviewed annually and approved by Council.

4. BUDGETING PROCESS

4.1 Planning for the preparation of the budget

4.1.1 The Accounting Officer with the assistance of the Chief Financial Officer and the Executive Director Development & Planning shall draft the IDP process plan as well as the budget timetable for the municipality for the ensuing financial year.

4.1.2 The mayor shall table the IDP process plan as well as the budget timetable to Council by 31 August each year for approval (10 months before the start of the next budget year).

4.1.3 IDP process plan as well as the budget timetable shall indicate the key deadlines for the review of the IDP as well as the preparation of the medium term revenue and expenditure framework (MTREF) budget and the revision of the annual budget. Such target dates shall follow the prescriptions of the Municipal Finance Management Act as well as the guidelines set by National Treasury.

4.1.4 The mayor shall convene a strategic workshop with the senior managers in order to determine the IDP priorities which will form the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipality. The mayor shall table the IDP priorities with the draft budget to Council.

4.1.5 The Mayor shall table the Draft IDP and MTREF budget to council by 31 March (90 days before the start of the new budget year) together with the draft resolutions and budget related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc.).

4.1.6 The Chief Financial Officer and senior managers undertake the technical preparation of the budget including:-

4.1.6.1 Review past performance;

4.1.6.2 Prepare initial preview assumptions;

4.1.6.3 Analyse past revenue trends and develop initial projections;

4.1.6.4 Prepare the IDP and make necessary revisions;

4.1.6.5 Prepare initial budget scenarios:-

(a) The budget must be in the prescribed format, and must be divided into capital and operating budget.

(b) The budget must reflect the realistically expected revenues and expenditure by major source for the budget year concerned; and

(c) Estimated revenue and expenditure by vote for the budget year; and

4.1.7 In terms of the MFMA Budget and Reporting Regulations, the Mayor must establish a budget steering committee to provide technical assistance to him / her in discharging his / her responsibilities set out in section 53 of the MFMA.

The minimum membership requirements of a budget steering committee as per MFMA are the following:

- Councillor responsible for financial matters
- Municipal Manager
- Chief Financial Officer
- Senior Managers responsible for at least the three largest votes in the municipality
- The Manager responsible for Budgeting
- The Manager responsible for Planning
- Any Technical Experts on Infrastructure

The Mayor will, on an annual basis, establish a steering committee.

Annexure A provides an outline of the budget activities, timeframes and responsibilities.

4.2 Public participation process

4.2.1 During the consultation process administration should consult with political executive; and

4.2.2 Immediately after the draft annual budget has been tabled, the municipality must convene hearings on the draft budget in April and invite the public and stakeholder organisations, to make representation at the council hearings and to submit comments in response to the draft budget.

4.3 Approval of the budget

4.3.1 Council shall consider the next medium term expenditure framework budget for approval not later than 31 May (30 days before the start of the budget year);

4.3.2 The council resolution, must contain budget policies and performance measures be adopted; and

4.3.3 Should the municipality fail to approve the budget before the start of the budget year, the mayor must inform the MEC for Finance that the budget has not been approved in terms of Section 53(2) of the MFMA.

4.4 Publication of the budget

4.4.1 Within 10 working days after the draft annual budget has been tabled, the Deputy Municipal Manager / Chief Financial Officer must post the budget and other budget-related documentation onto the municipal website so that it is accessible to the public as well as send hard copies to National and Provincial Treasury; and

4.4.2 The Deputy Municipal Manager / Chief Financial Officer must within 10 working days submit the approved budget in both printed and electronic formats to the National Treasury, the Provincial Treasury as well as post it on the municipal website.

5. CONTENTS OF THE BUDGET

The budget consist of the following key elements:

5.1 Mayor's Report

5.2 Council Resolutions

5.3 The Council approves and adopts: -

5.3.1 Budget set out in various tables;
5.3.2 by standard classification;
5.3.3 by municipal vote;
5.3.4 by source and expenditure by type;
5.3.5 Policies; and
5.3.6 Tariffs.

5.4 Executive Summary

5.4.1 Operating Revenue Framework

5.4.1.1 Property Rates ;
5.4.1.2 Sale of Water and Impact of Tariff Increases;
5.4.1.3 Sale of Electricity and Impact of Tariff Increases;
5.4.1.4 Sanitation and Impact of Tariff Increases;
5.4.1.5 Waste Removal and Impact of Tariff Increases; and
5.4.1.6 Overall impact of tariff increases on households.

5.4.2 Operating Expenditure Framework

5.4.2.1 Main operational expenditure categories;
5.4.2.2 Priority areas i.e. repairs and maintenance; and
5.4.2.3 Free Basic Services: Basic Social Services Package.

5.4.3 Capital expenditure

5.4.3.1 IDP Reference
5.4.3.2 Highlighted projects where major investment in Capex is made
5.4.3.3 Future operational cost of new infrastructure

5.5 Supporting Documentation

5.5.1 Budget Process Overview

5.5.1.1 IDP and Service Delivery and Budget Implementation Plan
5.5.1.2 Financial Modelling and Key Planning Drivers
5.5.1.3 Community Consultation
5.5.1.4 Overview of alignment of annual budget with IDP

5.5.2 Measurable performance objectives and indicators

5.5.3 Overview of budget related-policies

5.5.4 Monthly revenue cash flow projections by month

5.5.5 IDP amendments

5.5.6 Amendments to Budget related policies

5.5.7 Details of investments

5.5.8 Municipal entities – new and existing

5.5.9 Proposed service delivery agreements

5.5.10 Grants to external bodies

5.5.11 Contracts having future budgetary implications

5.5.12 Capital expenditure details

5.5.13 Legislation compliance status

5.5.14 Salary, allowances and benefits of:

5.5.14.1 Councillors
5.5.14.2 MM, CFO and senior managers

5.5.15 Overview of budget assumptions

5.5.15.1 External factors
5.5.15.2 General inflation outlook and its impact on the municipal activities
5.5.15.3 Credit rating outlook
5.5.15.4 Interest rates for borrowing and investment of funds
5.5.15.5 Collection rate for revenue services
5.5.15.6 Growth or decline in tax base of the municipality
5.5.15.7 Salary increases
5.5.15.8 Impact of national, provincial and local policies
5.5.15.9 Ability of the municipality to spend and deliver on the programmes; and

5.5.16 Municipal manager’s quality certificate

6. OPERATING BUDGET

6.1 The municipality shall budget in each annual and adjustments budget for the contribution to:

6.1.1 provision for accrued leave entitlements equal to 100% of the accrued leave

6.1.2 provision for bad debts in accordance with its collection rates

6.1.3 provision for the obsolescence and deterioration of stock

6.1.4 Depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate.

6.1.5 A sufficient proportion of the operating budget component of each annual and adjustments budget shall be set aside for maintenance in accordance with the asset maintenance plans of the Municipalities.

6.2 When considering the draft annual budget, council shall consider the impact, which the proposed increases in rates and service tariffs will have on the monthly municipal accounts of households.

6.3 The impact of such increases shall be assessed on the basis of a fair sample of randomly selected accounts.

6.4 The operating budget shall reflect the impact of the capital component on:

6.4.1 depreciation charges

6.4.2 repairs and maintenance expenses

6.4.3 interest payable on external borrowings

6.4.4 other operating expenses.

6.5 The chief financial officer shall ensure that the cost of indigency relief is separately reflected in the appropriate votes.

7. CAPITAL BUDGET

7.1 Expenditure of a project shall be included in the capital budget if it meets the asset definition and has a useful life in excess of one year.

7.2 Vehicle replacement shall be done in terms of Council's vehicle replacement policy. The budget for vehicles shall distinguish between replacement and new vehicles. No globular amounts shall be budgeted for vehicle acquisition.

7.3 A municipality may spend money on a capital project only if the money for the project has been appropriated in the capital budget.

7.4 The envisaged sources of funding for the capital budget must be properly considered and the Council must be satisfied that this funding is available and has not been committed for other purposes.

7.5 Before approving a capital project, the Council must consider:

7.5.1 the projected cost of the project over all the ensuing financial years until the project becomes operational,

7.5.2 future operational costs and any revenues, which may arise in respect of such project, including the likely future impact on operating budget (i.e. on property rates and service tariffs).

7.5.3 the impact on the present and future operating budgets of the municipality in relation to finance charges to be incurred on external loans,

7.5.4 depreciation of fixed assets,

7.5.5 maintenance of fixed assets, and

7.5.6 any other ordinary operational expenses associated with any item on such capital budget.

7.6 Council shall approve the annual or adjustment capital budget only if it has been properly balanced and fully funded.

8. FUNDING OF THE BUDGET

8.1 Operational Budget

The operational budget can only be funded from –

8.1.1 Realistically expected revenues.

8.1.1.1 Based on collection levels to date

8.1.1.2 Actual revenue collected in previous financial years

8.1.2 Uncommitted accumulated surpluses to the extent that the surpluses are cash backed.

8.2 Capital Budget

8.2.1 Revenue or Surplus

8.2.1.1 If any project is to be financed from revenue this financing must be included in the cash budget to raise sufficient cash for the expenditure.

8.2.1.2 If the project is to be financed from surplus there must be sufficient cash available at time of execution of the project.

8.2.2 External loans

8.2.2.1 External loans can be raised only if it is linked to the financing of an asset;

8.2.2.2 A capital project to be financed from an external loan can only be included in the budget if the loan has been secured or if can be reasonably assumed as being secured;

8.2.2.3 The loan redemption period should not exceed the estimated life expectancy of the asset. If this happens the interest payable on the excess redemption period shall be declared as fruitless expenditure;

8.2.2.4 Interest payable on external loans shall be included as a cost in the expenditure budget;

8.2.2.5 Finance charges relating to such loans shall be charged to or apportioned only between the departments or votes to which the projects relate.

8.2.3 Capital Replacement Reserve (CRR)

8.2.3.1 Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets. Such reserve shall be established from the following sources of revenue:

- unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
- additional amounts appropriated as contributions in each annual or adjustments budget; and
- Sale of land and profit or loss on the sale of assets.

8.2.3.2 Before any asset can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash backed;

8.2.3.3 If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted to equal the available cash;

8.2.3.4 Transfers to the CRR must be budgeted for in the cash budget;

8.2.4 Grant Funding

8.2.4.1 Non capital expenditure funded from grants;

8.2.4.2 Must be budgeted for as part of the expenditure budget;

8.2.4.3 Capital expenditure must be budgeted for in the capital budget;

8.2.4.4 Interest earned on investments of Conditional Grant Funding shall be capitalised if the conditions state that interest should accumulate in the fund. If there is no condition stated the interest can then be allocated directly to the revenue accounts;

8.2.4.5 Grant funding does not need to be cash backed at the time of budget approval, but cash should be secured before spending can take place.

8.3 Unspent Funds / Roll over of Budget

8.3.1 The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for funds relating to capital expenditure.

8.3.2 Only unspent grant (if the conditions for such grant funding allows that) or loan funded capital budget may be rolled over to the next budget year.

8.3.3 Conditions of the grant fund shall be taken into account in applying for such roll over of funds.

8.3.4 In order to apply for a rollover of unspent conditional grants the following must be submitted to National Treasury:

8.3.4.1 Municipalities must submit their June conditional grant expenditure reports according to section 71 of MFMA reflecting all accrued expenditure on conditional grants;

8.3.4.2 Submit the pre-audited AFS indicating the portion of each national conditional allocation it received which remained unspent as at 30 June;

8.3.4.3 Formal letter addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of section 21(2) of the of DoRA

8.3.4.4 Motivation of Commitment:

(a) Evidence that work on each of the projects has commenced, namely either of the following:
- Proof that the project tender was published and the period for tender submissions closed before 30 June; or
- Proof that a contract for delivery of the project was signed before 30 June.

(b) A progress report on the state of implementation of each of the projects;

(c) The amount of funds committed to each project, and the conditional allocation from which the funds come;

(d) An indication of the time-period within which the funds are to be spent.

8.3.5 Adjustments to the rolled over budget shall be done during the 1st Adjustments budget in the new financial year after taking into account expenditure up to the end of the previous financial year.

8.3.6 No funding for projects funded from the Capital Replacement Reserve shall be rolled over to the next budget year except in cases where a commitment has been made 90 days (30 March each year) prior the end of that particular financial year.

8.3.7 No unspent operating budget shall be rolled over to the next budget year

9. VIREMENTS

Virements represents a flexible mechanism to affect budgetary amendments within a municipal financial year, and is the major mechanism to align and take corrective (financial / budgetary) action within a Directorate (Vote) or functional area during a financial year.

9.1 Virement procedure requirements and restrictions

9.1.1 In order for a “vote” to transfer funds from one cost element, operating or capital project to another cost element, operating or capital project, a saving has to be identified within the monetary limitations of an identified cost element, operating or capital project allocations on the respective budgets.

9.1.2 Sufficient, budgetary provision should be available within the “giving” vote’s cost element or capital project concerned to give effect to the budgetary transfer (virement). In addition, the transferring function must clearly indicate to which cost element operating, or capital project the budget provision will be transferred to and provide a clear motivation for the transfer.

9.1.3 Any budgetary amendment of which the net impact will be a change to the total approved annual budget allocation and any other amendments not covered in this policy are to be considered for budgetary adoption via an Adjustments Budget (per MFMA Section 28).

9.1.4 In terms of Section 17 of the MFMA a Municipality’s budget is divided into an operating and capital budget and consequently no virements are permitted between Operating and Capital Budgets other than through an Adjustments Budget.

9.1.5 A virement may not create new policy, significantly vary current policy, or alter the approved outcomes / outputs as approved in the IDP for the current or subsequent years (MFMA Sections 19 and 21).

9.1.6 Virements resulting in adjustments to the approved SDBIP need to be submitted with an Adjustments Budget to the Council with revised targets and indicators for approval. (MFMA Circular 13).

9.1.7 No virement may be made to cover/ allow for unauthorised, irregular or fruitless and wasteful expenditure (MFMA Section 32).

9.1.8 All virements should be approved in line with the Council's System of delegations.

9.1.9 To facilitate the first time implementation of mSCOA, the Chief Financial Officer will be authorised to move budgets within "votes" as defined by the MFMA as a special delegation for the 2017/2018 financial year so as to not hamper service delivery.

9.2 Operating and Capital Budget Virements

9.2.1 Virements from non-cash expenditure items to cash expenditure items are not permitted.

9.2.2 Virements of conditional grant funds to purposes outside of that specified in the relevant conditional grant framework must not be permitted.

9.2.3 Motivations for virements between projects should clearly state the reason for the saving within the “giving” project, as well as the reason for the additional amount required.

9.2.4 Virements in capital budget allocations are only permitted within funding sources.

9.3 Reporting

A monthly report, indicating all virements affected have to be compiled and submitted to Council for monitoring (as part of the section 71 report).

10. ADJUSTMENT BUDGET

The MFMA 28(2) recognises that there will be instances where unforeseen and unavoidable expenditure is required, as well as other circumstances which could necessitate the submission of an Adjustments Budget:

It is compulsory to prepare an adjustments budget:-

10.1 when there is an under collection of revenue

10.2 when a downwards adjustment of revenue and expenditure is required

The MFMA also recognises that a voluntary adjustment budget can be prepared as a result of the following:-

10.3 Over-collection of revenue – to support existing budgeted programmes (MFMA 28(2) (b) to be submitted after midyear performance assessment and before 28 February.

10.4 Unforeseen and unavoidable expenditure recommended by the Mayor (MFMA 28(2) (c) must be reported to Council at its next meeting and be included in adjustments budget within 60 days of expenditure being incurred.

10.5 May authorise the utilisation of projected savings in one vote (MFMA 28(2) (d) towards spending in another vote.

10.6 Under spending in prior financial year – if unforeseen (MFMA 28(2) (e) should be completed after year end but before 25 August.

10.7 Correct errors (MFMA 28(2) (f) to be submitted after midyear performance assessment and before 28 February.

10.8 To ratify unauthorised expenditure and any other expenditure within a prescribed framework in terms of Unauthorised Expenditure the Municipality may submit a Special Adjustments Budget when submitting the Annual Report for consideration.

10.9 When an adjustments budget is tabled, it must be accompanied by—

- an explanation how the adjustments budget affects the annual budget;
- a motivation of any material changes to the annual budget;
- an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
- any other supporting documentation that may be prescribed.

10.10 The Municipality may not change tax and tariffs unless in terms of a financial recovery plan.

10.11 Formats of adjustments budget

An adjustment budget and supporting documentation of a municipality must be in a the format specified in Schedule B of the MBRR and include all the required tables, charts and explanatory information, in view of any guidelines issued by National Treasury

10.12 Funding of adjustment budgets

An adjustments budget of a municipality must be suitably funded. The supportive documentation to accompany an adjustments budget in terms of section 28(5) of the MFMA must contain an explanation of how the adjustments budget is funded.

10.13 Submission of tabled adjustments budgets

The municipal manager must comply with section28(7) of the MFMA together with section 22(b)(i) of the MFMA, within ten working days after mayor has tabled an adjustments budget in the municipal council. When submitting the tabled adjustments budget to National Treasury and relevant provincial treasury in terms of section 28(7) of the MFMA, municipal manager must submit in both printed and electronic format.

10.14 Approval of adjustments budgets

The municipal council must consider the full consequences, fiscal or otherwise, of the adjustments budget and supporting documentation. When approving an adjustments

budget, the municipal council must consider and adopt separate resolutions dealing with each of the matters listed below:

10.14.1 Approval of the adjustment budget;

10.14.2 Approval of any adjustments permitted in terms of section 28(2) of the MFMA;

10.14.3 Approval of the transfer of funds to a separate bank account for purpose contemplated in section 12 of the MFMA;

10.14.4 Approval of revisions to the monthly and quarterly service delivery targets and performance indicators in the service delivery and budget implementation plan, if any, to correspond with the approval of the adjustments budget;

10.14.5 Approval of any amendments to budget related policies necessitated by the adjustments budget.

10.15 Quality Certification

When an adjustment budget and supporting documentation is tabled in council, made public or submitted to another organ of state, it must be accompanied by a quality certificate complying with Schedule B and signed by the municipal manager.

10.16 Publication of approved adjustment budgets

Within five working days after the municipal council has approved an adjustments budget, the municipal manager must in agreement with section 21(A) of the Municipal System Act make public that approved adjustments budget and supporting documentation.

11. BUDGET IMPLEMENTATION

11.1 Monitoring

11.1.1 The accounting officer with the assistance of the chief financial officer and other senior managers is responsible for the implementation of the budget, and must take reasonable steps to ensure that:

- funds are spent in accordance with the budget;
- expenses are reduced if expected revenues are less than projected; and
- revenues and expenses are properly monitored.

11.1.2 The Accounting officer with the assistance of the chief financial officer must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling to Council.

11.1.3 The Accounting officer must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

11.2 Reporting

11.2.1 Monthly budget statements

The accounting officer with the assistance of the chief financial officer must, not later than ten working days after the end of each calendar month, submit to the Mayor and Provincial and National Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

- actual revenues per source, compared with budgeted revenues;
- actual expenses per vote, compared with budgeted expenses;
- actual capital expenditure per vote, compared with budgeted expenses;
- actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- the amount of allocations received, compared with the budgeted amount;
- actual expenses against allocations, but excluding expenses in respect of the equitable share;

- explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
- the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and
- projections of the revenues and expenses for the remainder of the financial year,
- The report to the National Treasury must be both in electronic format and in a signed written document

11.2.2 Quarterly reports

The Mayor must submit to Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality

11.2.3 Mid-year budget and performance assessment

The Accounting officer must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan in terms of Section 72 of the MFMA.

The Accounting Officer must then submit a report on such assessment to the Mayor by 25 January each year and to Council, Provincial Treasury and National Treasury.

The Accounting Officer may in such report make recommendations after considering the recommendation of the Chief Financial Officer for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

12. APPROVAL AND EFFECTIVE DATE

The policy will be effective as from 1 July 2017.

13. POLICY AMENDMENT

The Budget Implementation and Monitoring Policy must be reviewed on an annual basis.

14. RELATIONSHIP WITH OTHER POLICIES

This policy needs to be read in conjunction with other relevant adopted policies of the municipality, including the following:

- Delegation of Powers;
- Funding and Reserves Policy;
- Long Term Financial Plan Policy;

15. POLICY IMPLEMENTATION

The policy will be effective as from 1 July 2017.

ANNEXURE A: BUDGET PROCESS TIMETABLE

TIMEFRAME	ACTIVITY	RESPONSIBILITY
1 November Year 1 – 10 December Year 1	Heads of Departments to prepare and submit first draft operating and capital budgets in line with the approved operational plans, budget guidelines and secured financing sources.	Heads of Departments
10 December Year 1 –	Revision of the current operational and capital budget.	CFO/ Heads of Departments
	Compilation of the MFMA Sec 72 Report and submission to the Executive Mayor.	AO/ CFO
	Approval of adjustments budget by Mayoral Committee.	AO/ CFO
	Approval of adjustments budget by Council.	AO/ Executive Mayor
10 December Year 1 – 21 January Year 2	Finance Department to consolidate and prepare the first draft capital and operating budget in the following formats:	CFO/Manager Accounting/Heads of Departments
	High level consolidated format;	
	Line item budget; and	
	Proposed Tariffs.	
	Evaluation of and discussions on first draft budget by Mayoral Committee in line with operational plans, budget guidelines and IDP.	AO/ CFO/ Heads of Departments
21 January Year 2 – 4 February Year 2	Finance Department to consolidate and prepare the second draft capital and operating budget.	CFO/Manager Accounting/Heads of Departments
	Evaluation of and discussions on second draft by Mayoral Committee.	AO/ CFO
7 February Year 2 – 14 February Year 2	Evaluation of and discussions on second draft by Portfolio Committees.	Chairpersons of Portfolio Committees/ Heads of Departments
14 February Year 2 – 4 March Year 2	Evaluation and discussions of proposals from Portfolio Committees by the Mayoral Committee.	AO/ CFO
4 March Year 2 – 11 March Year 2	Finance Department to consolidate and prepare the third draft capital and operating budget.	CFO/Manager Accounting/Heads of Departments
	Evaluation and finalisation of the draft MTREF operational and capital budgets by the Mayoral Committee.	AO/ CFO
11 March Year 2 – 31 March Year 2	Finance Department to consolidate and prepare the final draft capital and operating budgets.	CFO/Manager Accounting/Heads of Departments

TIMEFRAME	ACTIVITY	RESPONSIBILITY
	Tabling of final draft capital and operating budget to Council.	AO/ Executive Mayor
31 March Year 2 – 29 April Year 2	Consultation on final draft budget through formal meetings with all possible stakeholders.	Executive Mayor/
		AO/ CFO
29 April Year 2 – 13 May Year 2	Finance Department to consolidate and prepare the final draft capital and operating budgets.	CFO/Heads of Departments
	Evaluation of and discussions on final draft by Mayoral Committee.	AO/ CFO
13 May Year 2 – 31 May Year 2	Finance Department to consolidate and prepare the final capital and operating budgets.	CFO/Heads of Departments
	Adoption of budget by Council.	AO/ Executive Mayor
31 May Year 2 – 13 June Year 2	Finance Department to submit approved budget to Provincial Treasury and National Treasury.	CFO
31 May Year 2	Finance Department to finalise all preparations to ensure proper and timeous implementation of budget, including promulgation of tariffs	CFO
30 June Year 2	Municipal Manager to submit draft SDBIP's and draft performance agreements of all section 57 personnel to Executive Mayor – 14 July	AO
	Executive Mayor to approve SDBIP's and note performance agreements – 28 July	AO/ Executive Mayor